

INFORMATION BULLETIN #69

SALES TAX

DECEMBER 2002

(Replaces Bulletin #69 dated December 1999)

DISCLAIMER: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules and court decisions. Any information that is not consistent with the law, regulations or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

SUBJECT: Commercial Printers

REFERENCES: IC 6-2.5-1-10; IC 6-2.5-5-3; IC 6-2.5-5-4; IC 6-2.5-5-5.1; IC 6-2.5-5- 6; IC 6-2.5-5-36; IC 6-2.5-8-8.5

INTRODUCTION

This bulletin is to explain the tax exemption for items purchased by commercial printers.

Tax Exemptions for Items Purchased by Commercial Printers

IC 6-2.5-5-3 provides that "commercial printing as described in IC 6-2.5-10 shall be treated as the production and manufacture of tangible personal property." Commercial printing that is described in IC 6-2.5-10 is "the business of commercial printing that results in printed materials, excluding

the business of photocopying." A commercial printer is, therefore, entitled to an exemption for machinery, tools and equipment that are directly used to perform a process or activity, or both, that is related to the production of printed materials for others. This includes equipment, (computers, scanners, etc.), that is used to perform what is commonly referred to as pre-press activities, which include the receiving, processing, moving, storing, and transmitting, either physically or electronically, of copy elements and images to be reproduced, and plate-making or cylinder-making. Exempt pre-press activities do not include drafting of copy or the creation of artwork for reproduction.

Commercial printers are also exempt from sales/use tax on purchases of capital equipment, consumables, and materials used in commercial printing under IC 6-2.5-5-4, IC 6-2.5-5-5.1 and IC 6-2.5-5-6. Like other manufacturers, commercial printers may also be exempt from tax under other sections of the Code.

A business or part of a business that performs one or more, but not all, of the processes or activities related to the production of printed materials (such as a pre-press house) is also exempt from sales and use tax on its purchases of machinery, tools and equipment, consumables, and materials, to the same extent that a business that performs all such commercial printing processes or activities would be exempt on its purchases of the same items. An exempt process or activity related to the production of printed materials should not become taxable simply because it is performed by an entity separate from the entity that performs the rest of the commercial printing processes or activities. Photocopying is expressly excluded from the type of commercial printing that is entitled to exemption under IC 6-2.5-5-3, IC 6-2.5-5-4, IC 6-2.5-5-5.1, and IC 6-2.5-5-6.

A commercial printer must collect and remit Indiana sales tax on the full price charged to the customer for the tangible personal property sold, unless the transaction is otherwise exempt from tax or the customer provides a direct pay permit, exemption certificate or a statement under IC 6-2.5-8-8.5.



Kenneth L. Miller
Commissioner